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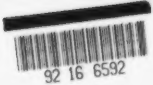
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the
__X__ Securities Exchange Act of 1934

For the quarterly period ended May 2, 1992 or

13 BW

Transition report pursuant to Section 13 or 15(d) of the
_____ Securities Exchange Act of 1934

IS92-2231

For the transition period from _____ to _____

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Commission File Number 0-7264

PAUL HARRIS STORES, INC.

(Exact name of registrant as specified in its charter)

Indiana	35-0907402
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6003 Guion Road, Indianapolis, IN	46268
(Address of Principal executive offices)	(Zip Code)
(Registrant's telephone number, including area code)	(317) 293-3900

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No_____

7,546,409 shares of Common Stock without par value were outstanding as of May 2, 1992.

1,528,430 shares of Class B Common Stock without par value were outstanding as of May 2, 1992.

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PAUL HARRIS STORES, INC. AND SUBSIDIARIES

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PAUL HARRIS STORES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
UNAUDITED
(In thousands)

	May 2, 1992	February 1, 1992	May 4, 1991
ASSETS			
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	$ 1,713	$ 6,480	$ 4,442
CASH - RESTRICTED	20,026	18,823	6,200
MERCHANDISE INVENTORIES	16,416	15,077	25,328
INCOME TAXES RECEIVABLE	95	104	768
OTHER RECEIVABLES	688	630	1,370
PREPAID EXPENSES	912	1,035	2,236
TOTAL CURRENT ASSETS	39,850	42,149	40,346
PROPERTY, FIXTURES AND EQUIPMENT			
LAND, BUILDINGS AND IMPROVEMENTS	8,470	8,471	8,451
STORE FIXTURES AND EQUIPMENT	18,694	18,542	30,925
LEASEHOLD IMPROVEMENTS AND OTHER	20,182	20,059	36,021
	47,346	47,172	75,397
LESS: ACCUMULATED DEPRECIATION AND AMORTIZATION	(25,113)	(23,831)	(36,339)
	22,233	23,341	39,058
OTHER ASSETS	1,244	1,235	1,533
	$ 63,327	$ 66,725	$ 80,937
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES NOT SUBJECT TO COMPROMISE			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	$ 6,018	$ 6,047	$ 4,005
COMPENSATION AND RELATED TAXES	535	1,178	1,040
OTHER ACCRUED EXPENSES	1,610	2,147	1,804
CURRENT MATURITIES OF LONG-TERM DEBT	201	201	184
ACCRUED REORGANIZATION EXPENSE	1,326	1,955	
TOTAL CURRENT LIABILITIES	9,690	11,528	7,033
LONG-TERM DEBT	3,178	3,355	3,585
OTHER NONCURRENT LIABILITIES	1,938	1,939	4,296
LIABILITIES SUBJECT TO COMPROMISE	55,312	55,250	55,427
SHAREHOLDERS' EQUITY			
PREFERRED STOCK (NO PAR VALUE)			
AUTHORIZED 1,000 SHARES; NONE ISSUED			
COMMON STOCK (NO PAR VALUE)			
AUTHORIZED 20,000 SHARES; ISSUED 7,547, 7,520 AND 7,051 SHARES	14,561	14,560	13,662
CLASS B COMMON STOCK ($.067 STATED VALUE)			
AUTHORIZED 2,500 SHARES; ISSUED 1,538, 1,555 AND 2,024 SHARES, CONVERTIBLE TO COMMON STOCK	103	104	136
ADDITIONAL PAID IN CAPITAL	5,510	5,510	5,510
RETAINED EARNINGS (DEFICIT)	(26,961)	(25,390)	(9,912)
TOTAL SHAREHOLDERS' EQUITY	(6,787)	(5,216)	10,616
	$ 63,327	$ 66,725	$ 80,937

PAUL HARRIS STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
UNAUDITED
(In thousands, except per share data)

For the Quarter Ended	May 2, 1992	May 4, 1991
NET SALES	$ 29,038	$ 46,632
COST OF SALES, INCLUDING OCCUPANCY EXPENSES	19,679	32,361
GROSS INCOME	9,359	14,271
COSTS AND EXPENSES:		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,576	15,068
DEPRECIATION AND AMORTIZATION	1,164	1,842
INTEREST (CONTRACTUAL INTEREST $900, $986)	123	410
	9,863	17,320
EARNINGS (LOSS) BEFORE REORGANIZATION ITEMS	(504)	(3,049)
REORGANIZATION ITEMS:		
WRITE-OFF OF FIXED ASSETS FOR CLOSED STORES	106	1,520
PROVISION FOR REJECTED EXECUTORY CONTRACTS - STORE LEASES	226	1,035
PROFESSIONAL FEES	709	328
EXPENSES RELATED TO CHAPTER 11 PROCEEDING	196	78
INTEREST EARNED ON ACCUMULATED CASH RESULTING FROM CHAPTER 11 PROCEEDING	(172)	(121)
	1,067	2,840
INCOME (LOSS) BEFORE INCOME TAXES	(1,571)	(5,889)
PROVISION (CREDIT) FOR INCOME TAXES		
NET INCOME (LOSS)	$ (1,571)	$ (5,889)
NET INCOME (LOSS) PER COMMON SHARE (A)	$ (0.17)	$ (0.65)

(A) NET INCOME (LOSS) PER SHARE IS BASED ON THE WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK, CLASS B COMMON STOCK AND COMMON EQUIVALENT SHARES OUTSTANDING DURING EACH PERIOD.

PAUL HARRIS STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
UNAUDITED
(In thousands)

	Thirteen weeks ended May 2, 1992	May 4, 1991
CASH FLOW FROM OPERATING ACTIVITIES:		
LOSS BEFORE REORGANIZATION ITEMS	$ (504)	$ (3,049)
ADJUSTMENTS TO RECONCILE EARNINGS TO CASH PROVIDED:		
DEPRECIATION AND AMORTIZATION	1,164	1,842
(INCREASE) DECREASE IN CURRENT ASSETS:		
MERCHANDISE INVENTORIES	(1,339)	(2,951)
INCOME TAXES RECEIVABLE	9	2,378
OTHER RECEIVABLES	(58)	(635)
PREPAID EXPENSES	123	(838)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	(29)	7,908
ACCRUED COMPENSATION AND EXPENSES	(1,178)	(348)
ACCRUED INTEREST		233
(INCREASE) DECREASE IN OTHER ASSETS	(8)	57
INCREASE (DECREASE) IN OTHER NON-CURRENT LIABILITIES	55	110
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE REORGANIZATION ITEMS	(1,765)	4,707
REORGANIZATION ITEMS	(1,067)	(2,840)
ADJUSTMENTS TO RECONCILE REORGANIZATION ITEMS TO CASH PROVIDED BY REORGANIZATION ITEMS:		
FIXED ASSET DISPOSAL LOSS ON STORE CLOSINGS		1,476
ACCRUED BANKRUPTCY EXPENSES	(856)	
PROVISION FOR REJECTED EXECUTORY CONTRACTS	228	1,035
NET CASH FLOW FROM REORGANIZATION ITEMS	(1,695)	(329)
NET CASH FLOW FROM OPERATING ACTIVITIES	(3,460)	4,378
CASH FLOW FROM INVESTING ACTIVITIES:		
ADDITION TO FIXED ASSETS	(53)	(442)
NET CASH FLOW FROM INVESTING ACTIVITIES	(53)	(442)
CASH FLOW FROM FINANCING ACTIVITIES:		
REPAYMENT OF LONG-TERM DEBT	(48)	(44)
NET CASH FLOW FROM FINANCING ACTIVITIES	(48)	(44)
TOTAL CASH FLOW	(3,563)	3,892
CASH AND CASH EQUIVALENTS:		
AT BEGINNING OF PERIOD	25,302	6,750
AT END OF PERIOD	21,739	10,642
	$ (3,563)	$ 3,892

PAUL HARRIS STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
UNAUDITED
(In thousands)

REFERENCE	FOR THIRTEEN WEEKS ENDED May 2, 1992 SHARES	AMOUNT	May 4, 1991 SHARES	AMOUNT
PREFERRED STOCK (1,000 AUTHORIZED):				
COMMON SHARES (20,000 AUTHORIZED):				
BEGINNING BALANCE	7,520	$ 14,560	7,051	$ 13,862
CONVERSION OF CLASS B COMMON STOCK	27	1		
RECLASIFICATION FROM NONCURRENT LIABILITIES				
ENDING BALANCE	7,547	$ 14,561	7,051	$ 13,862
CLASS B COMMON SHARES (2,500 AUTHORIZED):				
BEGINNING BALANCE	1,555	$ 104	2,024	$ 136
CONVERSION OF CLASS B COMMON STOCK	(27)	(1)		
ENDING BALANCE	1,528	$ 103	2,024	$ 136
ADDITIONAL PAID IN CAPITAL:				
BEGINNING BALANCE		5,510		$ 5,510
EMPLOYEE BENEFIT PROGRAMS				
ENDING BALANCE		$ 5,510		$ 5,510
RETAINED EARNINGS (DEFICIT):				
BEGINNING BALANCE		$ (25,390)		$ (3,023)
NET INCOME (LOSS)		(1,571)		(5,889)
ENDING BALANCE		$ (26,961)		$ (8,912)

NOTES TO FINANCIAL STATEMENTS

These financial statements should be read in conjunction with the footnotes to the 10-K for the fiscal year ended February 1, 1992

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. The appropriateness of using the going concern basis is dependent upon, among other things, confirmation of a plan of reorganization, future profitable operations, the ability to comply with debtor-in-possession financing agreements and the ability to generate sufficient cash from operations and financing sources to meet obligations.

The Company is following the AICPA's Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code. This Statement modifies standard accounting practices, requiring disclosure of liabilities subject to compromise under a reorganization plan and segregation of items directly related to the Chapter 11 filing from operating results.

PAUL HARRIS STORES, INC.
1st QUARTER, 1992
MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATIONS

SALES

During the thirteen weeks ended May 2, 1992, net sales totaled $29.0 million, a 37.8% decline compared with the first quarter of 1991. The decline was primarily due to the closing of stores as part of the Company's restructuring. On May 2, 1992, the Company had 196 stores in operation, versus 352 stores on May 4, 1991.

Comparable store sales were 5% below the first quarter of 1991. Comparable store sales in the Fashion division were 4% behind 1991, primarily due to the reduction in price per unit as suits and separates were replaced with sportswear. This change in the mix of goods offered resulted in an 18% lower unit cost. Improved percentage margins limited the reduction in unit selling price to 12%. Comparable store unit sales increased by 8%. Comparable store sales in the $5-$10-$15-$20 Place division declined by 8%, as unit sales, percentage margins and the cost mix of goods offered each declined from 1991.

COST OF SALES, INCLUDING OCCUPANCY EXPENSES

Cost of sales, including occupancy expenses, was 67.8% of sales in the first quarter of 1992, down from 69.4% in 1991. This decrease was primarily due to the reduction in the occupancy costs to sales ratio, as relatively high occupancy cost stores were closed during the last year. The decrease also reflects improved margins in the Fashion division on Spring products in 1992 versus 1991.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased from 32.3% of sales in the first quarter of last year to 29.5% in 1992. Expenses declined 43% on a sales reduction of 37%. A majority of the 2.8% SG&A to sales ratio improvement resulted from the favorable impact of closing lower sales stores on the selling and other stores costs ratio. In addition, the corporate overhead costs to sales ratio declined by one percentage point from 1991, as the Company's restructuring was implemented in the first quarter with higher employee productivity and lower discretionary spending for marketing, supplies, travel and business services.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense decreased 36.8% from the first quarter of 1991. Store closings are the principal reason for the decline. Depreciation as a percent to sales remained at 4.0% in 1992.

INTEREST

Due to the Chapter 11 filing, interest expense in the first quarter of 1992 is not directly comparable to interest expense in 1991. Interest expense on long-term debt was accrued through February 27, 1991, the date the Company filed for protection under Chapter 11. Since then, only interest on the Company's building mortgage has been paid. No interest has been accrued on the Company's unsecured debt. Interest earned from accumulated cash resulting from the Chapter 11 proceeding is separately reported in the reorganization section of the income statement.

INCOME TAXES

No interim income taxes were provided for in the first quarter of 1991 or 1992. The Company used all of its allowable tax loss carrybacks in 1990.

CAPITAL RESOURCES AND SPENDING

CASH

As of May 2, 1992, the Company had cash and cash equivalents of $21.7 million. At May 4, 1991, the balance was $10.6 million. During the first 13 weeks of 1992, the Company used $3.6 million of cash, while it generated $3.9 million during the same period in 1991.

MERCHANDISE INVENTORIES

Merchandise inventories at May 2, 1992, were $16.4 million, 35% lower than last year's $25.3 million. The reduction in the number of stores from 1991 to 1992 was the primary cause of this decrease. Stores open at the end of the first quarter of 1992 had cost inventories approximately equal to their level at the end of the first quarter of 1991.

WORKING CAPITAL

On May 2, 1992, working capital stood at $30.2 million, yielding a current ratio of 4.1:1. On May 4, 1991, working capital was $33.3 million and the current ratio was 5.7:1. The $13.8 million increase in cash is the main source of the 9.3% increase in working capital. This increase in cash is a result of earnings from operations and the restructuring of the business during 1991. On May 2, 1992, $15 million of the restricted cash was held in escrow for payment to creditors in settlement of pre-petition liabilities. The Company currently has access to $3 million of this escrowed cash to use as inventory financing collateral. The $8.9 million decrease in merchandise inventories, the $2.0 million increase in accounts payable, and the $1.3 million increase in accrued reorganization expense largely offset the increase in cash.

The Company funds its working capital needs primarily from internally generated cash. The Company uses a letter of credit facility and trade credit to obtain merchandise. The Company entered into a new $10 million debtor-in-possession letter of credit financing agreement through Manufacturer's Hanover to meet its projected merchandise purchasing needs through June 30, 1992.

The Company expects to reach an agreement with either Manufacturer's Hanover or INB National Bank to provide cash collateralized letter of credit financing beginning July 1, 1992 which will be adequate to meet its planned merchandise purchasing needs during fiscal 1992. If the Company's Proposed Plan of Reorganization is not confirmed during the second quarter of fiscal 1992, it intends to seek authorization to use additional escrowed cash as collateral for its peak financing needs.

Assuming the confirmation of its Proposed Plan in the second quarter of fiscal 1992, the Company believes that its current unrestricted cash balances and expected debtor-in possession financing arrangements will be adequate to provide for its inventory and other financing requirements during fiscal 1992. Timely confirmation of the Proposed Plan depends, among other things, on the Company's ability to substantially achieve its monthly sales, profit and cash projections.

The financing of inventory for the second half of the current fiscal year will also require the completion of an agreement with INB National Bank or other financial institution to provide a post-confirmation cash and inventory collateralized credit facility similar to the one currently under negotiation. The Proposed Plan will be confirmed by the Bankruptcy Court only after it has determined that the Company's short-term liquid resources are adequate. To meet its second half financing requirements, the Company will need to substantially achieve its monthly sales, profit and cash flow projections.

CAPITAL SPENDING

The Company was operating 196 stores as of May 2, 1992. Seven underperforming stores were closed during the quarter, while one $5-$10-$15-$20 Place store was opened. As of June 12, 1992, five additional $5-$10-$15-$20 Place stores have been opened. The Company's capital spending plans for the remainder of the year are modest. They include opening as many as 15 new stores, primarily in the $5-$10-$15-$20 Place division.

(b) Reports on Form 8-K

Item 6. None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Paul Harris Stores, Inc.
(Registrant)

Date: June 12, 1992

William L. Lawrence, Jr., Vice President/Controller